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TAGS: [PREL](#) [PARM](#) [ETTC](#) [CH](#) [NK](#)

SUBJECT: PRC RELUCTANT TO ACCEPT KOMID DEMARCHE BECAUSE OF
LINK TO E.O. 13382

REF: A. STATE 182889
[1](#)B. STATE 180512

Classified By: Deputy Chief of Mission David S. Sedney. Reasons 1.4 (b
/d).

Summary

[1](#)1. (S/NF) We delivered ref A demarche with considerable difficulty after our regular contacts at the People's Bank of China (PBOC) and the MFA Arms Control and Disarmament Department refused to meet with us. We received no direct response when we finally managed to discuss KOMID with the IO Department UN Affairs Division Director, after having passed a nonpaper on the margins of another meeting. Our IO contact said that reluctance to meet to discuss the matter was because of the reference to Executive Order 13382 in an earlier demarche on KOMID (ref b). Our contact said that strong Chinese dissatisfaction with the U.S. designation of PRC firms under E.O. 13382 makes it difficult for MFA officials to accept demarches that appear to link UNSC action on North Korea to any reference to the Executive Order. Our contact, speaking personally, offered that any future requests related to UNSC 1718 not make reference to E.O. 13382, claiming this would complicate China's response. Poloff stiffly rejected linkage between PRC unhappiness over the Executive Order and 1718 implementation, stressed that the problem is serial proliferation by PRC firms and urged full Chinese cooperation with the United States on previous proliferation cases. Poloff told the contact that the claimed linkage was contrary to China's oft-expressed commitment to prevent proliferation. End Summary.

[1](#)2. (S/NF) After considerable difficulty securing meetings, we delivered ref A demarche. Our regular MFA and People's Bank of China (PBOC) interlocutors refused to meet with us. After a number of conversations with MFA Arms Control and Disarmament Department Missiles Division Director Ma Shengkun to discuss the general subject matter and stress the urgency of the message, Ma refused to take further calls. Poloff delivered the demarche to MFA Arms Control and Disarmament Department Missiles Division Deputy Director Wang Daxue (Ma's Deputy) on the margins of another meeting. Once he realized the issue, a visibly angry Wang first refused to listen or accept a copy of the points, relenting only after stressing that he was not authorized to accept the demarche on behalf of the PRC but "might" pass it to the appropriate person.

[1](#)3. (C) Cao Li, Director, International Division of the People's Bank of China (PBOC), told econoff in November 7 telcon that PBOC would not receive delivery of ref A demarche because the PBOC currently has nobody appropriate available to receive the demarche. Li added that if this issue is urgent, the embassy should raise it with the MFA directly. Jin Qi, the PBOC's International Division Director General, also told Finatt in a follow-up November 7 telcon in a similar fashion that PBOC would not accept delivery of reftel

demarche.

¶4. (S/NF) Poloff subsequently spoke with MFA IO Department UN Affairs Division Director Yang Tao (strictly protect), whose office has been charged with issues related to UNSCR 1718. While discussing another issue, Yang mentioned that reftel demarche points were sitting on his desk. He said the PRC would look into the matter. Asked why there had been such reluctance on the part of other PRC officials to receive the demarche, Yang said that KOMID is a sensitive issue because of an earlier demarche (ref B) that mentioned U.S. EO 13382 sanctions against KOMID as grounds for China to take similar actions. Reviewing very strong PRC objections to the sanctioning of Chinese companies under EO 13382, Yang said that Arms Control and Disarmament Department officials reject any implication that recent UNSC resolutions on North Korea support the legitimacy of the United States' Executive Order ¶13382. In that regard, Yang suggested his personal view that any approaches to the PRC regarding UNSCR 1718 not make reference to EO 13382, as such a connection will complicate a fast response.

¶5. (S/NF) More generally, Yang (again strictly protect) said that the anger over the Executive Order sanctions on China within the MFA Arms Control and Disarmament Department, particularly at the perception that the United States has ignored PRC views and dismissed Beijing's efforts, makes cooperation with the United States very difficult. Yang said that the PRC-United States meetings on the Executive Order in December 2005 and June 2006 were very upsetting, with the Chinese feeling they the United States had no intention to listen to the PRC views and that nothing China might do could

influence a pre-determined United States process. Yang, echoing comments we have heard from others in his Department, said the Chinese delegation lost face in the Foreign Ministry and in the wider Chinese inter-agency environment because of the "disrespectful" way the Chinese team was treated. He said that the Executive Order "is one factor" that led the Ministry to "adjust the allocation of work," noting that the MFA leadership has now put the IO Department in charge of 1718 implementation as well as the Iran nuclear issue.

¶6. (S/NF) Poloff rejected any linkage between PRC unhappiness over E.O. 13382 and full implementation of China's obligation to enforce UNSCR 1718. Stressing our view that China bears full responsibility for the heart of the problem, which is the continuing proliferation by the companies sanctioned under E.O. 13382, Poloff emphasized our efforts to work with China in December 2005 and June 2006 to resolve the questions surrounding the proliferation by these companies. Rejecting Yang's characterization of the meetings, Poloff pointed to clear U.S. efforts to work with China to resolve the nonproliferation cases of firms that have repeatedly violated U.S. as well as PRC law. The lack of progress stemmed from China refusing to take the opportunity to engage seriously with the United States, Poloff said. Poloff noted that part of the continuing problem is China's unwillingness to share the detailed results of its investigations into proliferation as well as the refusal to publicly punish companies that conduct such activities. Stressing that making any such linkage between E.O. 13382 and PRC cooperation with the United States to combat proliferation is completely counterproductive, Poloff pointed out that it also calls into question China's adherence to its own commitments and legal obligations.
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